




SEP 27 1999

MEMORANDUM FOR: RAYMOND L. BRAMUCCI
Assistant Secretary
for Employment and Training

FROM: 
JOHN J. GETEK
Assistant Inspector General
for Audit

SUBJECT: Welfare-to-Work Competitive Grant Program
Implementation Progress as of March 31, 1999
Final Letter Report No. 03-99-017-03-386

This is a final audit report on the Welfare-to-Work (WtW) Competitive Grant Program implementation by the first-round grantees as of March 31, 1999. The OIG performed this audit of 19 first-round WtW competitive grantees to determine the reasons for the apparent slowness in getting their programs started and whether problems encountered were being solved. (See Appendix A for a discussion of scope and methodology, and Appendix B for a list of grantees selected for audit.)

We found that all of the 19 grantees in our sample experienced problems in implementing their programs. For example, 13 of the 19 grantees experienced difficulties finding and enrolling individuals who meet the 70 percent eligibility criteria. From the grant award through March 31, 1999, we noted that 9 grantees (47 percent) in our sample were making good progress in implementing their programs, 8 grantees (42 percent) were making little progress, and 2 grantees (11 percent) were still not operational at the time of our audit. Finally, we found that many of the program plans included in the approved grant agreements lacked quarterly goals against which to measure performance.

Many of the issues in this report have been addressed in previous reports on the WtW program and discussed with ETA program managers. Their comments about actions taken to address these issues are included as Agency Comments. Because this report does not contain recommendations, no further response is required.

Working for America's Workforce

Background

The WtW program was authorized by the Balanced Budget Act of 1997 to move hard-to-employ recipients of Temporary Assistance to Needy Families (TANF) into unsubsidized employment and economic self-sufficiency. The Act authorized \$3 billion for WtW grants in Fiscal Years 1998 and 1999. The Department of Labor, Employment and Training Administration (ETA) is awarding \$711.5 million to selected Private Industry Councils (PICs), political subdivisions, or private entities through the WtW Competitive Grants Program. The competitive grants are designed to develop and implement creative and innovative approaches to enhance a community's ability to achieve WtW program goals. At least 70 percent of WtW funds must be spent on hard-to-employ individuals, and the remainder on individuals with characteristics of long-term welfare dependency.

Three rounds of competitive grant awards have been planned, of which two have been executed. The first round of competitive grants totaling \$199 million was awarded to 51 applicants in June 1998. In January 1999, the second round of grants totaling \$273 million was awarded to 75 applicants. WtW competitive grant funds must be spent within the grant period which may not exceed 3 years. The average grant period for the 51 first-round grantees was 30 months.

Slow Implementation

Grantees' implementation of their competitive grant programs was slow during the first 9 months. As of March 31, 1999, with 30 percent of the average grant period elapsed, the 51 first-round grantees reported that just 6 percent (8,335) of the planned number of participants had been served; 2 percent (793) of planned placements in unsubsidized employment had been made; and only 10 percent (\$20 million) of the funds awarded during the first round of grants had been spent.

Thus, for the 51 first-round grantees to meet the levels of performance specified in their grant agreements during the 21 months remaining in the average grant period, they would need to:

- C serve an additional 120,169 TANF recipients or noncustodial parents,
- C place an additional 40,011 WtW participants in unsubsidized employment, and
- C spend the remaining \$179 million of grant funds.

With less than 2 years remaining in the average grant period, the above analysis raises concerns that many of the 51 first-round competitive grantees may not be able to achieve planned levels of service or use all of the grant funds.

AGENCY COMMENTS: The Department of Labor has been working with the Congress to simplify the WtW eligibility criteria mandated by the authorizing statute and to extend the length of the program. This would significantly accelerate expenditures and enrollments.

Implementation Progress Varies

As of March 31, 1999, grantees were making varying degrees of progress in implementing their programs between the period from the grant award through March 31, 1999. Progress was measured by continuous increases in three areas—enrollment, expenditures, and placements.

- C ***Good Progress Is Being Made:*** Nine (47 percent) of the 19 grantees in our sample made good progress in at least 2 of the 3 areas.

These nine grantees identified the following as factors which contributed to their early success. Seven stressed the importance of establishing strong relationships with employers. Six of the nine grantees took the initiative to develop strong cooperative relationships or joint efforts with their local TANF offices. The other three actually administered the WtW Formula Grant Program and local TANF programs under one organizational umbrella. These three grantees reported several advantages to this type of structure. The most important advantage reported was the control over the flow of eligible individuals. Moreover, grantee managers said that this arrangement provided the opportunity to develop service plan matrices that identified the most appropriate source of funds for each of the various services TANF recipients would need to make the transition from welfare to work.

- C ***Little Progress Being Made:*** Eight (42 percent) of the 19 grantees in our sample reported little measurable progress in the three areas—enrollment, expenditures, and placements, during the first 9 months. Of these, five demonstrated increases in just one area and three reported no significant increases in any of the areas.

- C ***Still Not Operational:*** Two of the 19 grantees were not operational at the time of our audit. One of these, a rural grantee, had experienced significant delays finding an employer to relocate to the area which would accommodate the entire participant population. This was a significant part of the grant plan, but had fallen through at the last minute. However, on August 26, 1999, the grantee reported that recent progress had been made with a different employer and, with the expressed commitment of financial support by state and local economic development organizations, the program could be operational within 6 to 9 months from that date. The other grantee was still experiencing significant delays to reprocur service providers (the grantee had initially obtained them through noncompetitive means), and to secure a permanent location for the project. At the time of our audit, the grantee was awaiting ETA's approval of its revised grant agreement.

AGENCY COMMENTS: In instances where round-one grantees have shown little progress or lack of operation the Department of Labor and representatives from the Rutgers University John J. Heldrich Center for Workforce Development made site visits. The visits resulted in grant modifications necessary to speed implementation, and in some instances, the agreed-upon deobligation of a portion of grant funds for use in funding round-three competitive grants.

Problems Locating Eligible Individuals

Thirteen (68 percent) of the 19 grantees cited various difficulties associated with locating and serving eligible individuals.

C Difficulties Finding Eligible Individuals Meeting the 70 Percent Criteria.

Thirteen (68 percent) of the grantees stated that they were not getting enough referrals of eligible individuals meeting the 70 percent criteria. Ten of the 13 grantees stated that the eligibility criteria were too restrictive. Specifically cited were the criteria that excluded from the 70 percent portion those individuals who have completed secondary school or earned a certificate of general equivalency, and still have low reading or math skills. This eliminates a significant number of needy individuals from accessing services under the 70 percent provision.

C Difficulties Locating and Recruiting Noncustodial Parents. Eight of the 17 grantees in our sample that had program components to serve noncustodial parents reported difficulties as follows:

1. Eight grantees said that they had problems locating and recruiting noncustodial parents. Two grantees specifically said that noncustodial parents often believed that recruitment for WtW was a “sting” operation. In addition, because the noncustodial parents do not receive financial aid from TANF, there are no sanctions if they refuse to participate in WtW programs.
2. Noncustodial parents are difficult to locate because the local TANF office either does not have sufficient information about them or must honor privacy laws which prohibit disclosure of this information. Grantees must then solicit information from the courts.

AGENCY COMMENTS: It should be noted that, at the Department of Labor’s request, the Domestic Policy Council has convened the Department of Health and Human Services and Child Support Enforcement to seek ways of making noncustodial parent information more readily available while still protecting privacy rights.

C Difficulties Spending WtW Funds Due to the “Work First” Requirement.

WtW emphasizes a “work first” approach to serving participants. Six (32 percent) of the 19 grantees in our sample reported that spending WtW funds had been slow because the “work first” requirement hindered the delivery of service. Some grantees mentioned that this was particularly true in cases where enrollees had multiple barriers to employment.

**Outmoded or
Incomplete
Plans**

Because the WtW competitive grant program was an entirely new concept, the organizations competing for the first round of competitive grant awards were asked to develop program plans without the benefit of prior experience. Thus, grantee plans for serving TANF recipients, placing them into unsubsidized employment, and spending grant funds, reflected the ideal rather than the real situations they faced when attempting to start their programs. Moreover, we found that many of the program plans included in the approved grant agreements lacked quarterly goals against which to measure performance. At the time of our audit of the 19 grantees:

- of the 15 that had quarterly plans for participants served, only 4 were meeting their plans;
- of the 8 that had quarterly plans for participants placed in unsubsidized employment, none were meeting their plans; and
- of the 16 that had quarterly plans for expenditures, only 1 was meeting its plan.

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We appreciate the excellent cooperation of Mr. Dennis Lieberman, Director, ETA Welfare-to-Work Office, his staff, and the grantees visited during our audit.

If you have any questions or would like additional information, please call me or Roger Langsdale, Regional Inspector General for Audit-Philadelphia, at (215) 656-2300.

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The overall audit objective was to determine the progress made by selected first-round competitive grantees toward implementing the WtW grant program during the first 9 months of grantee operations. Our specific objectives were to determine:

- whether the numbers of participants served and placed in unsubsidized employment, and the portion of grant funds spent, met planned levels;
- what successes and obstacles grantees encountered while implementing their program; and
- what relationships and degree of cooperation were developed between the grantee and the local TANF agency.

Scope

Our audit covered 19 (37%) of the 51 first-round competitive grantees. These 19 grantees received \$84 million (42%) of the \$199 million awarded following the first round of competition. (See Appendix B for a list of the grantees and the grant awards.)

Methodology

The 19 grantees were selected judgmentally. Fieldwork for the grantees was conducted from May 1999 through July 1999. We interviewed the grantee and the local TANF agency personnel to discuss their experiences during program implementation. Our discussions included the following topics:

- C successes and obstacles grantees encountered while implementing their programs,
- C levels of coordination and cooperation between WtW and local TANF agencies, and
- C participants served and placed and grant funds spent during the first three quarters of program operations.

The audit was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

APPENDIX B

WTW FIRST-ROUND COMPETITIVE GRANTEES	GRANT
1. City of Detroit	\$4,860,633
2. City of Little Rock	\$5,000,000
3. Corporation for Ohio Appalachian Development	\$5,000,000
4. County of Union	\$5,000,000
5. Goodwill Industries of Middle Georgia	\$5,300,000
6. Hampton University	\$4,898,000
7. Houston Works	\$5,000,000
8. Hudson County	\$4,914,297
9. Indianapolis PIC	\$5,000,000
10. Louisville and Jefferson County PIC	\$4,999,898
11. Milwaukee County PIC	\$4,262,054
12. Northern Community Investment Corporation	\$3,132,518
13. Philadelphia PIC	\$4,351,247
14. Pinellas Workforce Development Board	\$1,500,000
15. River Valley Resources	\$5,000,000
16. Southeastern Community College	\$2,638,601
17. Total Action Against Poverty	\$2,736,272
18. United Way of Central Alabama	\$4,997,966
19. The Work Place, Inc.	\$5,000,000
Total	\$83,591,486